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C O N F I D E N T I A L SECTION 01 OF 05 TASHKENT 000795

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SUBJECT: Uzbekistan: Korean Ambassador Shares Views of Cooperation
with Uzbekistan

REF: STATE

CLASSIFIED BY: Steven Prohaska, Second Secretary, State, Pol-Econ;
REASON: 1.4(B), (D)

¶1. (C) Summary: On May 15, Korean Ambassador Jea-min Kyun gave the Ambassador a read-out of Korean President Lee Myung-bak's visit to Uzbekistan earlier that week. An energetic President Karimov had accompanied Lee for virtually the entire duration of the three-day visit, and over the course of various meetings both sides had signed over 30 documents and agreements. Despite Uzbekistan's tendency to exaggerate certain figures, Uzbek-Korean cooperation in trade and other areas is on the rise and Karimov appears to admire the Korean model of development. Bilateral cooperation on oil and gas does not appear to include exporting any of these resources from Uzbekistan to Korea. Instead, both sides will share in the profits from exporting this energy to third countries. Uzbekistan and Korea appear to enjoy particularly close ties-a relationship that Uzbekistan may value all the more now in the context of Uzbekistan's concerns about the domestic economic situation and the potential to derive economic benefits from such cooperation. End summary.

Hearty Karimov Welcomes Korean President to Uzbekistan

¶2. (C) On May 15, the Ambassador met with Korean Ambassador Jea-min Kyun to discuss the recent visit of Korean President Lee Myung-bak to Uzbekistan. Ambassador Kyun remarked that Uzbekistan had changed the schedule for Lee's visit at the last minute, with President Karimov inserting himself (and taking the Prime Minister's place) into virtually every function during the three-day visit, though Karimov had originally been slated to attend only two functions. Karimov even made the rare gesture of meeting President Lee at the airport. Kyun said that much to the Korean side's surprise, the 71-year old Karimov had appeared highly energetic and "aggressive," especially in light of his advanced age. Karimov even set up a private lunch with Lee during their visit to Samarkand which dragged on for two hours longer than anticipated. Kyun opined that Karimov may have tried to use this

lunch to convey a message to the U.S. via Lee, and that Lee would give President Obama a read-out of this lunch during their upcoming meeting.

13. (C) The Korean delegation had 175 members, including 24 businessmen and 43 reporters, and 150 of these had taken a special flight to Uzbekistan from Korea. By the end of the visit, Uzbekistan and Korea had signed over 30 documents. Ambassador Kyun remarked that President Lee had not been enthusiastic about signing so many of these, instead preferring only two or three, but the Government of Uzbekistan (GOU) had been extremely insistent that a large number of agreements be signed. Kyun said that Karimov's top priority for the visit had been to induce Korea to invest in the Free Industrial Economic Zone and transportation hub in Navoi.

A Steadily Growing Partnership

14. (C) Cooperation between Korea and Uzbekistan is on the rise, Kyun continued. Nevertheless, Uzbekistan has displayed a tendency to exaggerate figures about their cooperation. For example, while President Karimov has stated that Korean investment in Uzbekistan is around four billion dollars, its actual net investment in the country is 500 million dollars, Kyun said. Kyun said that last

TASHKENT 00000795 002 OF 005

year, bilateral trade stood at \$1.38 billion-a 60 percent increase over the previous year. (Note: President Karimov stated at a banquet in Lee's honor that bilateral trade had increased by over 80 percent. End note.) Kyun nevertheless appeared proud that Korea had surpassed all other Asian countries besides Russia in investing in the country, and that Korea had taken fifth place in the world in terms of overall trade volume with Uzbekistan. Kyun opined that Karimov admires the "Korean model" of development as well as former Korean President Park Chung-hee, and noted that Karimov has studied Chung-hee's books.

Close Ties Between Leaders

15. (C) Kyun said that there is a special relationship between Karimov and Lee and between Uzbekistan and Korea. In 2006, when Karimov had visited Korea's previous president, Lee had been the mayor of Seoul and had awarded Karimov the key to the city. Karimov had been the only Central Asian president to attend Lee's subsequent presidential inauguration, Kyun continued. Last year during the Olympic Games in Beijing, Karimov and Lee had met a third time. During this visit to Uzbekistan, Lee also had invited Karimov to visit Korea. This might happen next year, Kyun said.

Energy Cooperation

16. (C) Korea and Uzbekistan had agreed to collaborate on three oil and gas joint ventures-Korea will provide technical assistance in exploring and exploiting several oil and gas fields-but both sides would share in the profits from exporting these resources to third countries instead of exporting Uzbekistan's oil and gas to Korea. Korea gets its energy from the Middle East and Russia instead, Kyun

noted. The three oil and gas joint ventures would include Korean development of the Surgil gas field near the Aral Sea, the Namangan/Chust oil field, and a third site in southwestern Uzbekistan.

17. (C) Kyun described oil and gas cooperation as a key objective for Korea in its cooperation with Uzbekistan, and indeed the Central Asian region, in contrast to Uzbekistan's greater focus on developing Navoi and receiving investment. Korea sees better prospects for energy cooperation in Kazakhstan than Uzbekistan. Kyun also indicated that Korea is very interested in taking care of the large Korean diasporas in Central Asia-some 100,000 in Kazakhstan and 180,000 in Uzbekistan.

Uzbekistan not Keen on Flights to Afghanistan, Wary of Terrorists

18. (C) Uzbekistan continues to adhere to its position of not permitting flights from Navoi into Afghanistan, Kyun said. Karimov had specifically noted that cargo will be delivered to Afghanistan overland. Kyun suggested that greater stability in Afghanistan might soften Uzbekistan's position, but right now, such flights did not appear likely to garner Uzbekistan's approval. He said that

TASHKENT 00000795 003 OF 005

the GOU is already concerned about retaliation from the Taliban for its support of U.S. operations in Afghanistan, and noted that when First Deputy Prime Minister Azimov had been Chairman of the National Bank of Uzbekistan (Kyun did not specify the year), he had been by Karimov's side when terrorists had made an attempt on Karimov's life. The experience had scared Azimov badly.

Further Detail on Series of Documents

19. (C) Kyun handed the Ambassador several sets of documents: a five-page copy of a joint statement that both sides had issued, and three outlines of documents and agreements that both sides had signed during the Uzbek-Korean business forum and various meetings between senior Uzbek and Korean officials. The joint statement noted a desire to expand bilateral ties across a wide range of political, economic, cultural and humanitarian areas, thus building on the strategic partnership agreement that Korea and Uzbekistan had concluded in March 2006. Both sides agreed to collaborate on oil and gas projects; explore and exploit mineral mines; cooperate on developing the Navoi Free Industrial-Economic Zone; hold cultural exchanges; facilitate regular visits between both countries; and agree on various security issues.

110. (C) Our unofficial translation of the list of documents signed between the Korean Minister of Finance and Uzbekistan's First Deputy Prime Minister Azimov on May 11 includes the following: (1) A memorandum of understanding in cooperation in the sphere of mineral resources and modernization of the Almalik mining plant; (2) A memorandum of understanding in cooperation in financing of the Surgil project between Uzbekneftgaz and a consortium of Korean companies, the Export-Import Bank of Korea, and the Korean Corporation of Export Insurance; (3) a memorandum of understanding in a joint study of investment blocks in the Ustyurt region of Uzbekistan between Uzbekneftgaz and the Korean National Oil Corporation; (4) an agreement on cooperation between Uzbekistan's

State Committee for Geology and Mineral Resources and the Korean Resources Corporation in conducting joint geological work on tungsten at the Tim-Kaltasaiskaya prospecting area; (5) a memorandum of understanding between the National Bank of External Economic Activity of Uzbekistan and Eximbank of Korea on opening a 100 million USD line of credit for financing projects on the territory of the Navoi Free Industrial Economic Zone (FIEZ); (6) a memorandum of understanding between Uzbekistan's Asaka Bank and Korea's Eximbank on opening a 100 million USD line of credit for financing projects on the territory of the Navoi FIEZ; and (7) a memorandum of understanding between Uzbekistan's Ministry of Finance and Korea's Eximbank on allocating a credit (of an initial value of 17.6 million USD from the Economic Cooperation and Development Fund) on water supply and waste treatment for the Navoi FIEZ.

11. (C) Our unofficial translation of the list of documents signed during the Uzbek-Korean Business Forum on May 11 includes the following: (1) a memorandum of understanding on cooperation between Uzbekistan's Ministry of Foreign Economic Relations and the Korean Daewoo International Cooperation in the sphere of supplying uranium concentrate, cotton-fiber, cathode copper, and molybdenum; (2) a memorandum of understanding between Uzbekistan's State Committee for Geology and Mineral Resources and the Korean Institute for Geological Sciences and Mineral Resources; (3) a memorandum of understanding between Uzbekistan Railways and the administration of the Korean railway network in railway cooperation; (4) a memorandum of understanding in cooperation on state electronics purchases; (5) documents on the creation of a joint venture between Uzeltechsanoat

TASHKENT 00000795 004 OF 005

and the company "Dong Seung Development Co., LTD" in the production of LCD monitors; (6) documents on the creation of a joint venture between Uzeltechsanoat and the company "Daebang Phostech Co., LTD" in the production of energy-saving lamps; (7) a memorandum of understanding on cooperation between Uzeltechsanoat and the company "LG Electronics" on the production of refrigerators; (8) documents on the creation of a joint venture between Uzavtosanoat and the company Erae Cs Limited in the production of automobile lines; (9) documents on the creation of a joint venture between Uzavtosanoat and the company Erae Cs Limited in the production of automobile generators; (10) documents on the creation of the joint venture "UB Energy;" (11) documents on the creation of a joint venture between Uzbekneftgaz and the company DongHo ENC Co. LTD in the production and assembly of electronic instruments for inspecting gas; (12) an agreement on joint work on a project in producing plastic products between Uzbekneftgaz and the company Honam Petrochemical; (13) documents on the creation of a joint venture between Fayz and the company Shindong Enercom in the production of "sandwich panels;" (14) a memorandum of understanding in cooperation on a geoinformational support system for town-planning activities; and (15) a memorandum of understanding in cooperation in construction and engineering-consulting activity.

Karimov Gives Long-Winded Remarks at State Banquet

12. (C) The Ambassador also attended a state dinner hosted by President Karimov in honor of President Lee. Lee spoke briefly in comments that mentioned the similarity of "culture and temperament" between the two countries, bilateral ties that have developed beyond friendship to something akin to a blood relationship, and their agreement to pursue cooperative projects of mutual benefit. In contrast to Lee, President Karimov went on at great length in his remarks, at times drifting from his seven-page speech to offer extemporaneous commentary on the importance of developing Navoi. Karimov called Lee's visit "a landmark event" and noted the strategic partnership between both countries. He was effusive in his praise of both Korea and Lee, calling Korea "a

reliable and time-honored partner" and Lee energetic and "an experienced and wise leader... [and a] globally recognized authoritative political figure, who pragmatically and ... resolutely leads a policy of balanced and dynamic development of his country." Karimov praised Korea's foreign policy in promoting peace and stability and its role in countering the effects of the global financial crisis. He expressed pleasure with the growth in bilateral trade and drew special attention to Korea's active work in developing the Free Industrial Economic Zone and the logistical hub at Navoi.

Comment:

¶13. (C) Uzbekistan and Korea appear to have developed an especially close relationship, and much like Japan, Korea is an easy partner for Uzbekistan. The documents both sides signed not only address the investment and economic cooperation that Uzbekistan so badly craves, but also support Uzbekistan's policies on issues that matter to Tashkent such as water, while avoiding more sensitive subjects like human rights altogether. Moreover, Uzbekistan probably appreciates the favorable coverage it has received in the Korean media in recent years. Korea appears to be figuring prominently in Uzbekistan's foreign and domestic economic policy, particularly given the GOU's persistent concerns about the global financial crisis and Karimov's desire to build Navoi into a new

TASHKENT 00000795 005 OF 005

transcontinental transportation hub. Also interesting was their decision to cooperate in supporting the employment of Uzbekistan's labor force by establishing a career training center and exchanging views on labor policy—a possible reflection of Uzbekistan's concerns about its underemployed populace, especially in light of diminishing opportunities for Uzbek migrant workers in Russia. President Karimov's decisions to meet President Lee at the airport (an unusual step), spend almost the entirety of the visit with Lee, and give extremely laudatory remarks about Korea and its president attests to the importance of this bilateral relationship. Uzbekistan has almost no friends in the world; Korea may just be one of them, in a partnership that advances both countries' interests in a pragmatic way.

NORLAND